Platinum Unhedged Fund

Jacob Mitchell Portfolio Manager

Disposition of Assets

REGION	MAR 2014	DEC 2013
North America	28%	30%
Japan	23%	24%
Asia	19%	21%
Europe	18%	17%
Australia	2%	1%
South America	2%	1%
Africa	1%	1%
Russia	1%	1%
Cash	6%	4%

Source: Platinum

Portfolio Position

Changes in the quarterly portfolio composition:

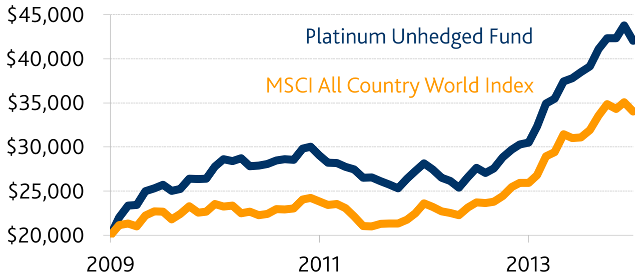
Sector Breakdown

SECTOR	MAR 2014	DEC 2013
Technology (software & components)	12%	12%
Mobile Internet Services	11%	13%
Consumer Globalisation (brands, retail etc)	10%	10%
Healthcare	10%	9%
Emerging World Financials	8%	8%
Mobile Internet Enablers	7%	7%
Emerging World Consumer	7%	8%
Japanese Revitalisation	6%	6%
Gold	5%	5%
Alternative Energy	5%	5%
US Capital Spending Renaissance	5%	5%
Western Financials	4%	5%
Energy and Materials	4%	3%
Gross Long	94%	96%

Source: Platinum

Value of $20,000 Invested Over Five Years

31 March 2009 to 31 March 2014



Source: Platinum and MSCI. Refer to Note 2, page 4.

Some themes that are represented prominently within the Fund include:

- Post-patent cliff pharmaceuticals and personalised medicine.
- Consumer globalisation – Western brands, retailers and service providers positioned for global growth.
- Explosive growth in mobile data-based services and consumption in both the developed and emerging world.
- Emerging world home-grown consumer brands/retailers and recovering property-related companies in India and Brazil.
- Japanese revitalisation driven by a broad consensus on the need for change.
- Capital equipment suppliers to the solar cell industry; a secular growth industry undergoing a cyclical recovery.
- US capital spending renaissance driven by a globally competitive supply of natural gas.
- Gold - a hedge against a self-reinforcing cycle of competitive Quantitative Easing (QE) from the three large developed world currency blocks (US, Europe and Japan) where the narrative morphs from necessary monetary easing to government debt monetisation and competitive exchange rate devaluation.

Performance

(compound pa, to 31 March 2014)

	QUARTER	1 YR	3 YRS	5 YRS	SINCE INCEPTION
Platinum Unhedged Fund	-1%	38%	13%	16%	11%
MSCI AC World Index	-2%	31%	13%	11%	5%

Source: Platinum and MSCI. Refer to Note 1, page 4.

The unwinding of long term outperformance of emerging markets continued during the quarter led by sharp drops in China, Russia and Latin America. Over the past 12 months, the ageing of China's credit boom has been felt most intensely in peripheral emerging market economies (especially where commodity dependence is high). Conversely, we would expect any loosening of Chinese policy would lead to a sharp bounce in commodity related emerging markets such as Brazil, though potentially short lived. Falls across global sectors were reasonably consistent with the exception of decent outperformance from utilities, healthcare, large-cap technology and gold stocks. In terms of developed markets, Japan was notable in its underperformance as investors used the impending consumption tax implementation and impatience with the pace of reform to sell the market. Later in the quarter, some of the heat came out of US momentum stocks with the sharp reversal in biotech, Internet and other crowded "growth" stocks.

Given the high weighting in Japan and emerging markets (primarily Asia), the Fund performed reasonably well, with stock selection offsetting some of the macro factors at play. Our two solar/alternative energy stocks, Meyer Berger and GT Advanced Technology continued their strong contribution due to the ongoing recovery in the solar end-market, and in the case of the later, an announcement by Apple of a major investment in sapphire cover glass production using GT's newly developed technology. Whilst we have sold some of our holding in both stocks around the recent highs, the longer term opportunity remains solid and we would look to add on any major pull-back. In the case of Meyer Burger, we are less than 12 months into a recovery and based on the company maintaining a 15% share of a steady-state solar capital equipment market of around 10GW pa or roughly equivalent to $2 billion in annual orders.

Changes to the Portfolio

Changes to the portfolio were minor. Having recently returned from a week in Europe with members of the technology team and a week in Japan with Bianca Ogden, Portfolio Manager of the Healthcare Fund, we have plenty of new ideas to consider.

Commentary and Outlook

As we noted last quarter, we expect more focus in the US on the sustainability of the current, very high profit share versus the long-term reality of meagre real income growth for the majority of wage earners.

We recently observed an interesting early manifestation of this debate as it relates to the escalating cost of pharmaceutical drugs. Gilead, a company we owned early on in the general reassessment of post-patent cliff healthcare opportunities which more than delivered on expectations with both its HIV combination and Hepatitis C therapies achieving far higher than expected selling prices and the stock morphing into the poster child of the resurgent US healthcare sector. We estimated that the Hepatitis C treatment, Sovaldi, would ultimately sell for around $50k with this high price reflecting an excellent success rate in curing the disease as opposed to just treating the symptoms. For Gilead shareholders, the outcome was far better than this with the drug on the market in the US at $84k for a 12 week treatment. The US household already pays dearly for healthcare, equivalent to a world beating 18% of GDP, and with US income share so heavily skewed towards an ever-narrowing proportion of the population,
questions of affordability are inevitable.

Members of the US Congress Committee on Energy and Commerce sent a letter to Gilead expressing concerns regarding Sovaldi pricing and issues around access for patients with public and private insurance. Specifically, the letter noted, given the concentration of Hepatitis C in low-income and minority populations, pressure on State Medicaid programs was inevitable, highlighting that Colorado and Pennsylvania have already announced each will be limiting access.

We think more such vignettes to play-out as the US grapples with choices around subsidisation, rationing and price controls and, given the politically charged nature of healthcare policy, in the absence of serious crisis, rational debate will prove allusive.

In other news, Microsoft, this Fund's largest holding, has appointed Satya Nadella (based on a record of solid execution within Microsoft's Cloud and Enterprise Group) as replacement CEO for Steve Ballmer, which serves to highlight some of its latent business potential. Whilst many measure Microsoft's lack of success in terms of the apparent failure of the consumer oriented Windows 8 operating system, we think this is somewhat short-sighted (as does seemingly the stock market given the stock's recent strong performance) and ignores the continuing success of its enterprise offering that comprises some 80% of profits.

Microsoft's push with Office365, OneDrive, OneNote, Azure, Office for iPad all point to a company that is serious about unbundling its products from dependence on the Windows operating system. In the same way that Google services are hardware/operating system agnostic, we sense that Microsoft will leverage as many of its offerings as possible via "Cloud" based services. Google also provides multiple reasons to log into their 120+ services such as Gmail, YouTube, Maps, Drive or Docs (and stay logged in so it can collect information and ultimately improve the quality of their advertising business); Microsoft is increasingly playing the same game.

The tech blogging community seems intent on painting the three-way Apple-Google-Microsoft tussle as a winner takes all outcome – we suspect the reality is somewhat murkier. Apple remains a clear success as a consumer bundler of hardware, software and services; Google is the most disruptive as a pure Internet service company using advertising revenues to subsidise various offerings and Microsoft pursues a hybrid strategy from a position of enterprise strength. Given the explosion in cheap mobile devices, bandwidth and computing power, market growth remains sufficient to accommodate all three. In terms of investment merit, we favour Microsoft and Google, two of our largest holdings.

In conclusion, the recent growth stock correction serves to focus more attention on the emerging pockets of valuation extremes in the US. For example, the Russell 2000 Small Capitalisation Index (the smallest 2000 stocks in the Russell 3000) is now trading at a P/E of 21x (excluding loss makers); very close to an all-time peak multiple. Whilst much of the commentary remains focused on issues regarding the sustainability of Chinese growth, the US market is behaving as if this will remain a China ring-fenced issue. Regardless of the actual Chinese outcome, this attitude would seem somewhat wishful.

Notes

1. The investment returns are calculated using the Fund's unit price and represent the combined income and capital return for the specific period. They are net of fees and costs (excluding the buy-sell spread and any investment performance fee payable), are pre-tax, and assume the reinvestment of distributions. The investment returns shown are historical and no warranty can be given for future performance. You should be aware that historical performance is not a reliable indicator of future performance. Due to the volatility of underlying assets of the Funds and other risk factors associated with investing, investment returns can be negative (particularly in the short-term).

   The inception dates for each Fund are as follows:
   Platinum International Fund: 30 April 1995
   Platinum Unhedged Fund: 31 January 2005
   Platinum Asia Fund: 4 March 2003
   Platinum European Fund: 30 June 1998
   Platinum Japan Fund: 30 June 1998
   Platinum International Brands Fund: 18 May 2000
   Platinum International Health Care Fund: 10 November 2003
   Platinum International Technology Fund: 18 May 2000

2. The investment returns depicted in this graph are cumulative on A$20,000 invested in the relevant Fund over five years from 31 March 2009 to 31 March 2014 relative to their Index (in A$) as per below:
   Platinum International Fund - MSCI All Country World Net Index
   Platinum Unhedged Fund - MSCI All Country World Net Index
   Platinum Asia Fund - MSCI All Country Asia ex Japan Net Index
   Platinum European Fund - MSCI All Country Europe Net Index
   Platinum Japan Fund - MSCI Japan Net Index
   Platinum International Brands Fund - MSCI All Country World Net Index
   Platinum International Health Care Fund - MSCI All Country World Health Care Net Index
   Platinum International Technology Fund - MSCI All Country World Information Technology Net Index
   (nb. the gross MSCI Index was used prior to 31 December 1998 as the net MSCI Index did not exist).

   The investment returns are calculated using the Fund's unit price. They are net of fees and costs (excluding the buy-sell spread and any investment performance fee payable), pre-tax and assume the reinvestment of distributions. It should be noted that Platinum does not invest by reference to the weightings of the Index. Underlying assets are chosen through Platinum's individual stock selection process and as a result holdings will vary considerably to the make-up of the Index. The Index is provided as a reference only.

3. Long invested position represents the exposure of physical holdings and long stock derivatives. The net invested position represents the exposure of physical holdings and both long and short derivatives.

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